



Finance Committee Report, Station Road Bridge
January 25, 2019

The Finance Committee held meetings on January 16 and January 22 to obtain information regarding the financial impact of options for a permanent and a temporary bridge on Station Road at the Hop Brook and to assess the need. We had support from Paul Bockelman, Guilford Mooring and Sonia Aldrich. There was significant public interest and extensive public comment at both meetings. Based upon the information we received, the Finance Committee unanimously passed two motions.

- 1. To recommend that the Town appropriate \$227,500, to reimburse the road repair account for the engineering service costs incurred for the Station Road, Hop Brook Bridge replacement, and to meet such appropriation, transfer \$227,500 from Free Cash.**
- 2. To recommend that the Town appropriate \$212,500, for the purchase and installation of a temporary bridge for the Station Road, Hop Brook Bridge, and to meet such appropriation, transfer \$212,500 from Free Cash.**

The first motion would replenish funds that the Town Manager authorized to be spent from the road repair account for the current year, FY 19, appropriated by the Annual Town Meeting. That account is usually used for routine road repairs, in the spring to address damage from the winter and for previously planned road repairs. If the Council chooses not to pass this motion, less work could be performed in the April 1-June 30 period which would have a substantial effect on road users. The second motion will be more fully discussed in this report. The total amount that would be expended from the Free Cash portion of our reserves would be \$440,000.

Capital budget process and possible effect on major projects

The total capital budget in each year is determined as a portion of the tax levy with a goal that it be 10% of that levy. The capital budget allocation includes the debt service on bonds issued in previous years for capital projects and tax-supported capital expenditures for the year. There are additional capital expenditures from the Enterprise Funds (e.g., work on the water and sewer systems), projects funded by the Community Preservation Act, projects funded by grants, and purchases paid by Ambulance Funds. Ambulance Funds are generated from billings to users of Emergency Medical Services and payments from other towns for which our Fire Department provides ambulance service.

In FY 19, current and projected debt service is \$1,867,001 and cash capital expenditures for the year is \$2,884,788. If we funded a \$440,000 expense from the cash capital account, it would be 15.25% of the total. That amount is greater than any other cash capital expense except for \$968,364 allocated to "Paving and Road Repairs", the fund used for the immediate expenses which we recommend replenishing from Free Cash in the first motion. Other expenditures from cash capital include expenses for buildings, equipment and facilities identified by the Joint Capital Planning Committee, supported by the Town Manager, and approved by Town Meeting.

In 2016, co-Finance Director Claire McGinnis presented a plan to fund the four major capital projects (DPW facility, new fire station, Jones Library renovation and expansion, and elementary school) on behalf of the Town Manager. The projects were to be funded with a combination of debt including

debt that would be repaid if voters approved debt exclusion overrides for the school and library projects, state grants from the Board of Library Commissioners and the Massachusetts School Building Authority, and reserves. Our reserves include Free Cash and the Stabilization Fund. The Town of Amherst Financial Management Policies & Objectives specifies that reserves should be between 5% and 15% of general fund operating revenues. Over a period since FY 10, the town has judiciously increased reserves to help pay for large capital projects. As of July 1, 2018, Amherst's certified Free Cash was \$5,162,239 and the Stabilization Fund was \$7,595,350, for total reserves of \$12,757,589 or 16.5% of general fund operating revenues. The proposed transfers from reserves will affect the amended capital project financing plan that will be presented to the Council later this year. As explained below, if the Town moves ahead with a permanent bridge, the maximum amount a State grant would pay is \$500,000, leaving nearly \$500,000 to be financed by the Town. If we install a temporary bridge, and plan and construct a permanent bridge, less funds will be available in Free Cash and the Stabilization Fund, the town's "reserves", for future major capital projects. This will likely require larger borrowing and debt exclusion overrides to fund the four projects.

Routine method for assessing capital needs

The committee recognizes that addressing the unexpected need for this large capital expense, the replacement of the Station Road bridge and the purchase or rental of a temporary bridge, is not within the normal process to appropriate or raise funds for a capital project. The normal procedure is that requests are reviewed by the Town Manager, Superintendent of Schools, or Library Director and presented to the Joint Capital Planning Committee (JCPC). JCPC considers all requests and the relative needs of each one, develops a multi-year plan, and makes recommendations for the next budget year. It uses criteria set forth in the Financial Management Policies & Objectives, which can be found at <https://www.amherstma.gov/DocumentCenter/View/19859/Town-of-Amherst-Financial-Management-Policies-and-Objectives-November-2012?bidId=>. We are still developing the exact procedure, but it is likely that those recommendations will be presented to the Council through the Finance Committee.

In previous years, an emergency capital need such as the Station Road bridge would have been presented to the Select Board. If it supported the proposed transfers from Free Cash, it would have had to determine whether to wait to do so until the Annual Town Meeting or regular fall Special Town Meeting, or to call for a Special Town Meeting to consider the recommendation.

Station Road bridge project and state small bridge grant program

The committee reviewed the information previously presented to the Council on January 7 and considered additional information provided by the Superintendent of Public Works and the Town Manager about the project and the state small bridge grant program. The cost for replacement of a permanent bridge is estimated at \$925,000, including the new bridge and foundation, utility work, roadway alignment. It is projected that a temporary bridge can be installed by April 17. If all proceeded well, it would be removed on March 23, 2020 and a new permanent bridge would be completed by August 14, 2020. The temporary bridge would be in use for just over 11 months.

The bridge grant application deadline is April 1, 2019. We do not know how many municipalities will submit grants this year or the likelihood that the Amherst application will be funded. If it is not funded, it can be considered in a future year. The maximum grant amount is \$500,000 and we will need to use other capital funds for the balance. We cannot receive a grant to reimburse for funds that have already been spent. If our application is not funded in the next grant cycle, we would need to either decide to fund the entire permanent bridge construction from town funds or delay construction of a permanent bridge until we are funded in a future grant cycle. The current grant cycle deadline was October 31, 2018 and extended to April 1, 2019. We don't know the next grant cycle deadline. Given the uncertainty of securing a State grant and the cost of a permanent bridge, Amherst may have a temporary bridge considerably longer than one year.

Public comment

The comments we received will be summarized in minutes of the two Finance Committee meetings. The essential points were the need for the road to be reopened as soon as possible and that a temporary bridge used for a longer period if necessary is acceptable to people who use the road. Mr. Mooring had explained that ambulances, pick-up trucks and cars would be able to use the temporary bridge but school buses and longer trucks, trucks with trailers, and heavier trucks would not be able to use the temporary bridge due to weight limits, width of the bridge and its angled design.

The Committee recommendation

While votes were not taken to establish these assumptions as policy, the committee consensus is that Station Road must be reopened since it is the only east-west connection between Bay Road and Route 9 and that the town policy to use grant funds to support capital projects to the extent available applies to the permanent bridge. The committee members emphasized different reasons for supporting the motion but they included: (1) There are valid reasons to reduce the amount of time that the road will be closed including the inconvenience to users, the effect on businesses, the safety of increased use of Stanley and South East Streets as detours, and the environmental impact from the number of additional miles that will be driven. (2) That with the uncertainty about whether we will receive a Small Bridge Grant to construct a permanent bridge in 2020, we may need to use a temporary bridge for a longer period. (3) One committee member does not accept the staff conclusion that there is no risk to patients who will have longer transport time to Cooley Dickinson Hospital.

Conclusion

This was a difficult decision for the committee and will also be difficult for the Council. This report is intended to present our recommendation, our reasoning, and information the Council will need as it considers whether to accept this recommendation.

Submitted by Andrew Steinberg
Chair, Finance Committee

Finance Committee Town Council Members
Andrew Steinberg, Chair
Cathy Schoen, Vice Chair
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